

**FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year Ended June 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 15 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Families Helping Families of
Southwest Louisiana, Inc.
Lake Charles, Louisiana

We have audited the accompanying statements of financial position of Families Helping Families of Southwest Louisiana, Inc. (a non-profit organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and in our report dated December 16, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families Helping Families of Southwest Louisiana, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, on our consideration of Families Helping Families of Southwest Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs

December 19, 2011

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

**Families Helping Families of Southwest Louisiana, Inc.
STATEMENT OF FINANCIAL POSITION**

June 30, 2011

ASSETS

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 247,567 | \$ 208,876 |
| Investments | 31,330 | 30,946 |
| Grants receivable | 66,817 | 48,469 |
| Prepaid insurance | <u>3,752</u> | <u>3,398</u> |
| Total Current Assets | 349,466 | 291,689 |
| FIXED ASSETS | | |
| Furniture, fixtures and equipment | 72,930 | 72,067 |
| Library | 6,676 | 6,676 |
| Building | 67,728 | 67,728 |
| Building improvements | 187,351 | 187,351 |
| Less accumulated depreciation | <u>(98,960)</u> | <u>(89,682)</u> |
| Total Fixed Assets | 235,725 | 244,140 |
| OTHER ASSETS | | |
| Deposits | <u>350</u> | <u>350</u> |
| Total Other Assets | <u>350</u> | <u>350</u> |
| Total Assets | <u>\$ 585,541</u> | <u>\$ 536,179</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 8,495 | \$ 4,424 |
| Payroll taxes payable | 4,417 | 3,728 |
| Capital lease payable | - | 1,170 |
| Note payable - Chase | <u>7,549</u> | <u>7,549</u> |
| Total Current Liabilities | 20,461 | 16,871 |
| LONG TERM LIABILITIES | | |
| Note payable - Chase | <u>53,342</u> | <u>60,464</u> |
| Total Long - Term Liabilities | <u>53,342</u> | <u>60,464</u> |
| Total Liabilities | 73,803 | 77,335 |
| NET ASSETS | | |
| Unrestricted | | |
| Operating | <u>511,738</u> | <u>458,844</u> |
| Total Unrestricted Net Assets | <u>511,738</u> | <u>458,844</u> |
| Total Net Assets | <u>511,738</u> | <u>458,844</u> |
| Total Liabilities and Net Assets | <u>\$ 585,541</u> | <u>\$ 536,179</u> |

The accompanying notes are an integral part of these statements

Families Helping Families of Southwest Louisiana, Inc

STATEMENT OF ACTIVITIES

Year ended June 30, 2011
with comparative totals for 2010

| | 2011 | | | | 2010 |
|---|--------------|------------|-------------|------------|------------|
| | UNRESTRICTED | | TEMPORARILY | | |
| | BOARD | | RESTRICTED | | |
| | DESIGNATED | OPERATING | OPERATING | TOTAL | TOTAL |
| PUBLIC SUPPORT AND REVENUES | | | | | |
| Government grants | \$ - | \$ - | \$ 420,186 | \$ 420,186 | \$ 383,449 |
| Other grants | - | - | 9,860 | 9,860 | 21,580 |
| Contributions | - | - | 26,519 | 26,519 | 28,340 |
| Fund-raising | - | - | 20,640 | 20,640 | 14,115 |
| Interest income | 870 | - | - | 870 | 175 |
| Miscellaneous income | - | 1,850 | - | 1,850 | 1,261 |
| Total Public Support and Revenues | 870 | 1,850 | 477,205 | 479,925 | 450,920 |
| Reclassifications - net assets released from donor restrictions | (870) | 478,075 | (477,205) | - | - |
| Total Unrestricted Revenues and Reclassifications | - | 479,925 | - | 479,925 | 450,920 |
| EXPENSES | | | | | |
| Program service | - | 377,114 | - | 377,114 | 347,394 |
| Management and general | - | 46,277 | - | 46,277 | 42,419 |
| Fund-raising | - | 5,463 | - | 5,463 | 5,931 |
| Total Expenses | - | 428,854 | - | 428,854 | 395,744 |
| CHANGE IN NET ASSETS | - | 51,071 | - | 51,071 | 55,176 |
| NET ASSETS AT BEGINNING OF YEAR | | | | | |
| AS ORIGINALLY REPORTED | - | 458,844 | - | 458,844 | 403,668 |
| PRIOR PERIOD ADJUSTMENT | - | 1,823 | - | 1,823 | - |
| NET ASSETS AT BEGINNING OF YEAR | | | | | |
| AS RESTATED | - | 460,667 | - | 460,667 | 403,668 |
| NET ASSETS AT END OF YEAR | \$ - | \$ 511,738 | \$ - | \$ 511,738 | \$ 458,844 |

The accompanying notes are an integral part of these statements

**Families Helping Families
of Southwest Louisiana, Inc**

**Statement of Functional Expenses
For the Year Ended June 30, 2011
with comparative totals for 2010**

| | Program Services | Supporting Services | | Total Services | Total Services |
|--|------------------|------------------------|-------------|----------------|----------------|
| | | Management and General | Fundraising | 2011 | 2010 |
| Advertising and Promotion | \$ 2,679 | \$ 104 | \$ - | \$ 2,783 | \$ 2,835 |
| Bank Service Charges | - | 140 | - | 140 | 364 |
| Books and Subscriptions | 893 | 99 | - | 992 | 2,091 |
| Client/Project Services | 52,940 | - | - | 52,940 | 38,693 |
| Conferences and Forums | 23,348 | 175 | - | 23,523 | 36,338 |
| CPSB Monitoring | 1,505 | - | - | 1,505 | 5,033 |
| Fundraising | - | - | 5,463 | 5,463 | 5,931 |
| Insurance | 12,395 | 1,377 | - | 13,772 | 10,360 |
| Interest | 4,476 | 497 | - | 4,973 | 4,568 |
| Membership Dues | 180 | 20 | - | 200 | 668 |
| Miscellaneous | 407 | 46 | - | 453 | 2,366 |
| Office Expense and Supplies | 5,906 | 656 | - | 6,562 | 5,358 |
| Payroll Taxes | 11,414 | 993 | - | 12,407 | 12,279 |
| Postage and Shipping | 3,371 | 349 | - | 3,720 | 2,671 |
| Printing and Publications | 4,772 | 301 | - | 5,073 | 4,621 |
| Professional Fees | 21,157 | 785 | - | 21,942 | 21,576 |
| Rent and Occupancy | 2,610 | 290 | - | 2,900 | 3,653 |
| Repairs and Maintenance | 3,143 | 349 | - | 3,492 | 4,795 |
| Salaries and Wages | 159,673 | 14,620 | - | 174,293 | 151,808 |
| Special Events | - | 22,342 | - | 22,342 | 18,085 |
| Staff Development | 3,895 | 364 | - | 4,259 | 340 |
| Stipends | 3,260 | - | - | 3,260 | 2,540 |
| Supplies | 22,842 | - | - | 22,842 | 11,269 |
| Taxes and Licenses | 546 | 61 | - | 607 | 612 |
| Telephone | 7,494 | 833 | - | 8,327 | 10,244 |
| Travel and Transportation | 11,537 | 24 | - | 11,561 | 16,876 |
| Utilities | 4,206 | 467 | - | 4,673 | 4,810 |
| Total Functional Expenses | | | | | |
| Before Depreciation and Other Expenses | 364,649 | 44,892 | 5,463 | 415,004 | 380,784 |
| Depreciation Expense | 12,465 | 1,385 | - | 13,850 | 14,960 |
| Total Functional Expenses | \$ 377,114 | \$ 46,277 | \$ 5,463 | \$ 428,854 | \$ 395,744 |

The accompanying notes are an integral part of these statements

Families Helping Families of Southwest Louisiana, Inc.

STATEMENT OF CASH FLOWS

**Year ended June 30, 2011
with comparative totals for 2010**

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from grantors | \$ 411,698 | \$ 424,285 |
| Receipts from contributors and others | 49,009 | 43,716 |
| Interest received | 870 | 175 |
| Payments to employees | (172,402) | (151,911) |
| Payments for supplies and others | (231,400) | (257,294) |
| Interest payments | <u>(4,973)</u> | <u>(4,568)</u> |
| Net cash provided (used) by operating activities | 52,802 | 54,403 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | - | (1,030) |
| Payments for building improvements | (5,436) | (1,813) |
| Purchase of certificate of deposit | <u>(384)</u> | <u>(946)</u> |
| Net cash provided (used) by investing activities | (5,820) | (3,789) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital lease payments for copier | (1,169) | (2,422) |
| Payments on loans | <u>(7,122)</u> | <u>(6,976)</u> |
| Net cash provided (used) by financing activities | <u>(8,291)</u> | <u>(9,398)</u> |
| Net increase in cash and cash equivalents | 38,691 | 41,216 |
| Cash and cash equivalents, beginning of year | <u>208,876</u> | <u>167,660</u> |
| Cash and cash equivalents, end of year | \$ <u>247,567</u> | \$ <u>208,876</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 51,071 | \$ 55,176 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 13,850 | 14,960 |
| Net (increase) decrease in: | | |
| Prepaid expense | (354) | (1,373) |
| Accounts and credit card payable | 5,894 | (31,513) |
| Payroll taxes payable | 689 | (103) |
| Grants receivable | <u>(18,348)</u> | <u>17,256</u> |
| Net cash provided (used) by operating activities | \$ <u>52,802</u> | \$ <u>54,403</u> |

The accompanying notes are an integral part of these statements

Families Helping Families of Southwest Louisiana, Inc.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Families Helping Families of Southwest Louisiana, Inc have been prepared on the accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations

1. Organization and Purpose

Families Helping Families of Southwest Louisiana, Inc was established in Lake Charles, Louisiana in 1991 as part of a statewide network of family resource centers. This center serves not only Calcasieu Parish, but also Allen, Beauregard, Cameron and Jeff Davis parishes. The agencies throughout the state are not-for-profit organizations designed to offer information and resources including referrals, education and training and peer to peer support to individuals and family members of individuals with special needs.

The Agency is funded by donations and personal contributions, fundraisers, and various grants from the State of Louisiana and community organizations.

2. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Agency considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Families Helping Families of Southwest Louisiana, Inc

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4 Fixed Assets

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. No restrictions have been placed on assets donated to the agency. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended June 30, 2011 is \$13,850.

The useful lives of fixed assets for purposes of computing depreciation are:

| | |
|------------------------------------|---------------|
| Furniture, fixtures, and equipment | 5 – 10 Years |
| Buildings | 40 Years |
| Improvements | 20 – 40 Years |
| Library | 5 Years |

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. The Agency follows the practice of capitalizing all expenditures for all property and equipment in excess of \$250.

5 Income Taxes

The Agency is a not for profit organization that is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code and comparable state law. In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. Therefore, no provision has been made for federal or state income taxes in the accompanying statements.

6. Contributed Services

During the year ended June 30, 2011, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Agency, but these services do not meet the criteria for recognition as contributed services.

Families Helping Families of Southwest Louisiana, Inc.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8 Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as a net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

9. Concentration of Revenue and Support

The Agency receives funding primarily from grants from the State of Louisiana Department of Health and Hospitals, State Department of Education, and State Department of Social Services. If funding from these Departments were no longer available to the Agency, the operations of the Agency could be adversely impacted.

10 Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising costs for the year ended June 30, 2011 were \$2,783.

11 Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

NOTE B – RETIREMENT BENEFITS

The Agency does not provide retirement benefits. Employees participate in the Social Security system. The Agency is not responsible for any post-employment benefits. The Agency has only the usual obligation to make current matching payments of the Social Security system for active employees.

Families Helping Families of Southwest Louisiana, Inc

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE C- COMPENSATED ABSENCES

Employees of Families Helping Families of Southwest Louisiana, Inc. are entitled to paid vacation, paid sick days and personal days off depending on job classification, length of service and other factors. The value of these compensated absences was not recorded due to their immateriality. The Agency's policy is to recognize the costs of those compensated absences when actually paid to employees.

NOTE D- CASH AND CASH EQUIVALENTS

The Agency maintains the following cash accounts:

| | <u>June 30, 2011</u> | <u>June 30, 2010</u> |
|----------------------|----------------------|----------------------|
| Petty Cash Accounts | \$ 606 | \$ 606 |
| Savings Account | 82,098 | 31,805 |
| Operating Account | 114,543 | 156,261 |
| Money Market Account | <u>50,320</u> | <u>20,204</u> |
| | \$ <u>247,567</u> | \$ <u>208,876</u> |

NOTE E - INVESTMENTS

The Agency investments consist of a Certificate of Deposit at Cameron State Bank with a fair value of \$ 31,330 at June 30, 2011.

NOTE F - ALLOCATION OF PROGRAM VS. SUPPORT EXPENSES

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. An allocation of the operating expenses of the Agency has been made on the basis of Board policy and management's estimate of 10% support and 90% program. Costs relating directly to the mission of the Agency are allocated as 100% program and expenditures for support matters and direct fund-raising costs are considered 100% support.

Families Helping Families of Southwest Louisiana, Inc

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

NOTE G – LEASES

On December 28, 2007, the Agency entered into a three year capital lease agreement for its copier from Marlin Leasing at 5.8%. The total cost recorded for the copier is \$6,535. The minimum monthly lease payment is \$198, exclusive of taxes and interest. The lease was paid off during the year ended June 30, 2011.

NOTE H – NOTE PAYABLE

The Agency entered into a commercial mortgage loan with JPMorgan Chase Bank, NA, on September 29, 2008 for the improvements made to the office facilities. The note is payable in fifty nine (59) monthly installments of \$1,000 at 6.9% interest, final payment due September 28, 2013. Scheduled maturities of long-term debt are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2012 | 8,076 | 3,926 |
| 2013 | 8,662 | 3,341 |
| 2014 | 44,153 | 3,084 |
| | <u>60,891</u> | <u>10,351</u> |
| Less current portion | <u>(7,549)</u> | <u>(4,454)</u> |
| Total | <u>\$ 53,342</u> | <u>\$ 5,897</u> |

NOTE I – SUBSEQUENT EVENT

Subsequent events were evaluated through December 19, 2011, which is the date the financial statements were available to be issued.

NOTE J – PRIOR PERIOD ADJUSTMENT

The Agency made an adjustment to void old outstanding checks that had not cleared the operating and savings accounts as of June 30, 2011. This resulted in an increase of \$1,823 to unrestricted net assets.

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**Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed In Accordance
With Governmental Auditing Standards**

To the Board of Directors
Families Helping Families of
Southwest Louisiana, Inc
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of Southwest Louisiana (a non-profit corporation) as of and for the year ended June 30, 2011 and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Families Helping Families of Southwest Louisiana, Inc 's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses [2011-1 and 2011-2].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Families Helping Families of Southwest Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs

December 19, 2011

Families Helping Families of Southwest Louisiana, Inc.

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

We have audited the financial statements of Families Helping Families of Southwest Louisiana, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2011 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Other Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

Section II Financial Statement Findings

- 2011-1** Because of the size of the Organization and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.
- 2011-2** The Organization does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the Organization's financial transactions or preparing its financial statements, including related notes.

Families Helping Families of Southwest Louisiana, Inc.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2011

| SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS | |
|--|-------------|
| 2010-1 Because of the size of the Organization and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control. | Unresolved. |
| 2010-2 The Organization does not have a staff person who has qualifications/training to apply GAAP in recording transactions or preparing financial statements | Unresolved. |
| SECTION II - MANAGEMENT LETTER | |
| ML-1 It was noted that the Organization does not have an adequate purchasing/accounts payable system | Resolved. |
| ML-2 Completion of incorrect payroll tax returns | Resolved. |

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

Families Helping Families of Southwest Louisiana, Inc.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended June 30, 2011

| Ref No. | Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken | Corrective Action Planned | Name of Contact Person | Anticipated Completion Date |
|-----------------|---|--|--------------------------------|--|-------------------------------|------------------------------------|
| <u>2011-1:</u> | Unknown | Because of the size of the Organization and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control. | No | Management is aware of the internal control problem and determined it is not cost effective to achieve complete segregation of duties in the accounting department. For the size of the Organization, it has segregated as many duties as possible. | Susan Beniot | N/A |
| <u>2011-2 :</u> | Unknown | The Organization does not have a staff member with the qualifications and training to apply GAAP in recording transactions or preparing financial statements. | No | The Organization has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined it is best to continue to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation. | Susan Beniot | N/A |

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT